



JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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April 30, 2015

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

FROM: John Naimo 
Auditor-Controller

SUBJECT: **ADMIRAL HOME HEALTH, INC. – A DEPARTMENT OF HEALTH
SERVICES HOME HEALTH SERVICES CONTRACT SERVICE
PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a review of Admiral Home Health, Inc. (Admiral or Contractor), a Department of Health Services (DHS) Home Health Services contract service provider. The purpose of our review was to evaluate Admiral's compliance with their County contract. Our review included a review of patient files, employee personnel records, and other applicable documents.

DHS paid Admiral a total of \$798,548 on a fee-for-service basis during Fiscal Year 2013-14. Admiral provides home health services for patients referred by DHS and is located in the Fourth Supervisorial District.

Results of Review

Our review indicates that Admiral has significant financial issues. Admiral's unaudited financial statements for 2011, 2012, and 2013 reported operating losses of \$86,056, \$233,632, and \$442,793 respectively. In addition, the unaudited financial statements reported that Admiral received \$708,500 in loans, including \$493,000 from the President/Chief Executive Officer (CEO), \$209,000 from Admiral Hospice Care, Inc., and \$6,500 from the President/CEO's other business entities. However, Admiral did not provide written loan agreements identifying the terms, amounts, and dates of the loans.

According to Admiral management, the loans were necessary to meet their current financial obligations. Admiral's attached response indicates that they are making efforts to improve their financial condition and will provide financial updates to DHS. In addition, they plan to develop written loan agreements to support the amounts reported on their unaudited financial statements.

After our review, DHS met with Admiral and indicated that the Contractor is making sufficient efforts to improve their financial condition. Admiral's 2014 unaudited financial statements indicate that the Contractor had an operating income of \$94,511 for Calendar Year 2014. In addition, DHS indicated that they would continue to refer patients to Admiral because the Contractor accepts all patient referrals regardless of the patient's reimbursement source/rate. DHS will closely monitor the Contractor's progress by reviewing Admiral's financial status quarterly. In addition, DHS should monitor Admiral to ensure they maintain the level of service required by their County contract.

We also noted that Admiral did not always comply with all of their County contract requirements. For example, Admiral did not:

- Obtain proof of required immunizations for six (60%) of the employees reviewed, conduct the required tuberculosis screenings for seven (70%) of the employees reviewed, and conduct the required health screenings for five (50%) of the employees reviewed. Admiral is potentially putting their employees and patients at risk by not verifying that the required immunizations and screenings are completed.

Admiral's attached response indicates that they will ensure staff have current immunizations, annual health screenings, and annual tuberculosis screenings.

- Comply with contract documentation requirements. For example, Admiral did not maintain documentation that they provided DHS with discharge notices and written reports of patients' clinical findings timely. Admiral also did not maintain documentation that they notified DHS when patients became re-hospitalized.

Admiral's response indicates that they will ensure the required documentation is maintained in the patient files.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with Admiral and DHS on November 4, 2014. Admiral's attached response indicates agreement with our findings and recommendations. DHS will work with the Contractor to ensure our recommendations are implemented.

We thank Admiral management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:AA:js

Attachments

c: Sachi A. Hamai, Interim Chief Executive Officer
Mitchell H. Katz, M.D., Director, Department of Health Services
Josie Jones, RN, M.S., President/Chief Executive Officer, Admiral Home Health, Inc.
Public Information Office
Audit Committee

**ADMIRAL HOME HEALTH, INC.
HOME HEALTH SERVICES
CONTRACT COMPLIANCE REVIEW
FISCAL YEAR 2013-14**

FINANCIAL VIABILITY

Admiral Home Health's, Inc. (Admiral or Contractor) unaudited financial statements for 2011, 2012, and 2013 reported operating losses of \$86,056, \$233,632, and \$442,793 respectively. The Contractor's financial statements for the year ended December 31, 2013 indicated that Admiral had \$657,969 in liabilities in excess of their assets (negative net assets). In addition, the unaudited financial statements reported that Admiral received \$708,500 in loans, including \$493,000 from the President/Chief Executive Officer (CEO), \$209,000 from Admiral Hospice Care, Inc., and \$6,500 from the President/CEO's other business entities. However, the Contractor did not provide written loan agreements identifying the terms, amounts, and dates of the loans. Admiral management indicated that the loans were necessary to meet their current financial obligations.

After our review, the Department of Health Services (DHS) met with Admiral to discuss their financial viability issues and indicated that Admiral is making sufficient efforts to improve their financial condition. Admiral's 2014 unaudited financial statements indicate that the Contractor had an operating income of \$94,511 for Calendar Year 2014. In addition, DHS indicated that they would continue to refer patients to Admiral because the Contractor accepts all patient referrals regardless of the patient's reimbursement source/rate. DHS will closely monitor the Contractor's progress by reviewing Admiral's financial status quarterly.

Admiral needs to ensure written agreements are in place for their loans and provide DHS with quarterly financial statements and updates on their financial condition.

Recommendations

Admiral Home Health, Inc. management:

- 1. Ensure written agreements are in place for all loans.**
- 2. Provide the Department of Health Services with quarterly financial statements and updates on their financial condition.**

BILLED SERVICES

Objective

Determine whether Admiral provided the services billed to DHS in accordance with their County contract.

Verification

We reviewed Admiral's invoices and other supporting documentation for \$39,833 (5%) of the \$798,548 that DHS paid to the Contractor during Fiscal Year 2013-14. We also reviewed documentation in the patient case files for 24 patients DHS referred to Admiral.

Results

Admiral appropriately billed DHS for the patient services reviewed. However, Admiral did not always comply with the contract documentation requirements. Specifically, Admiral did not maintain documentation that they:

- Submitted a discharge notice for 23 (96%) of the 24 patients reviewed to DHS within 30 days of discharge. The discharge notices trigger DHS staff to close-out the patients' charts.
- Provided DHS with a written report of clinical findings for 21 (88%) patients within a day of the initial nursing assessment.
- Notified DHS within a day when four (17%) patients became re-hospitalized. Admiral needs to notify DHS timely in order to cancel or put Admiral's services on hold.
- Submitted summaries of services provided to patients and their progress, and an assessment of the patients' needs to DHS every 60 days for two (8%) patients. A DHS physician reviews these records to approve any changes in the patient's treatment plan if needed.

Recommendations

Admiral Home Health, Inc. management ensure staff:

- 3. Submit discharge notices, summaries of services provided to patients and their progress, and written reports of clinical findings to the Department of Health Services within the required timeframes, and maintain documentation in the patient files.**
- 4. Notify the Department of Health Services within a day when patients are re-hospitalized, and maintain documentation in the patient files.**

STAFFING QUALIFICATIONS

Objective

Determine whether Admiral staff had the qualifications required by their County contract.

Verification

We reviewed the personnel files for ten (13%) of the 78 Admiral staff who provided services to DHS patients.

Results

Admiral's staff had the required qualifications.

Recommendation

None.

PERSONNEL

Objective

Determine whether Admiral complied with personnel contract requirements, and maintained personnel files as required.

Verification

We reviewed personnel files and other documentation for ten (13%) of the 78 Admiral staff.

Results

Admiral did not always comply with the contract's personnel requirements. Specifically, for the ten staff we reviewed, Admiral did not:

- Conduct required tuberculosis screenings for seven (70%) of the staff reviewed, and required health screenings for five (50%) of the staff reviewed. Staff must complete health screenings to ensure that they are free from contagious diseases, and are capable of providing services.
- Obtain proof that six (60%) of the staff reviewed had all of the required immunizations. Staff that do not have current immunizations are at-risk of being exposed to diseases when providing patient care.

- Ensure that one (10%) employee had a current drivers' license as required by the contract.

Recommendations

Admiral Home Health, Inc. management ensure staff:

- 5. Complete annual health and tuberculosis screenings, and maintain supporting documentation.**
- 6. Have current immunizations, and maintain supporting documentation.**
- 7. Have a current drivers' license.**

ADMINISTRATIVE CONTROLS/QUALITY CONTROL**Objective**

Determine whether Admiral was in compliance with their County contract administrative requirements. In addition, determine whether Admiral maintained a comprehensive Quality Control Plan (QCP), and used the QCP to ensure they provided the required services.

Verification

We interviewed Admiral personnel, and reviewed their policies and procedures, QCP, and other applicable documents.

Results

Admiral maintained a comprehensive QCP. However, the Contractor did not always follow their QCP to monitor their compliance with the contract documentation and personnel requirements as noted in our review.

Recommendation

Refer to Recommendations 3-7.



November 13, 2014

To: John Naimo , Auditor- Controller
County of Los Angeles
500 W Temple St.
Los Angeles, Ca. 90012

From : Josie Jones, RN,MS
Executive Director
Admiral Home Health, Inc.

Subject: PLAN OF CORRECTION

Attached is a Plan of Correction to the deficiencies identified during the recent Contract Compliance review of Admiral Home Health.

Please feel free to contact me for any questions you may have.

Thank you.



November 12, 2014

PLAN OF CORRECTION

Admiral Home Health, Inc.

Financial Viability:

1. It is a conscious intent and effort of the company to correct the situation on financial viability. The losses as they appear on the financial statements are considered " Paid- In Capital" , in the event the company is not able to make payments to Josie Jones and other loan sources.
2. Admiral Home Health will provide available financial statements to your department of the financial condition of the company.

We will ensure that loan agreements are in place for monies loaned to Admiral Home Health, Inc.

Patient Services:

3. Admiral Home Health will submit discharge notices, summaries of service provided to patients and their progress and written reports of clinical findings to the Department of Health Services within the required time frame and maintain documentation in the patient files. The staff have been instructed to comply with this requirement. A memo was distributed to all office and field staff . Management will oversee to ensure compliance.



4. Admiral Home Health will notify DHS within a day when patients are re-hospitalized and maintain documentation in the patient files. Phone call reports will be documented and faxed reports copies are maintained to support proof of notification to the referring hospital or physician.

Personnel:

5. Management and HR department will ensure that employees have annual health and TB screenings and maintain supporting documentation.
6. Management and HR department will ensure that personnel have current immunizations and maintain supporting documentation.
7. Management and HR department will ensure that personnel have current driver's license for identification.

Prepared and submitted by:

Josie Jones, RN, MS
President / CEO
Admiral Home Health , Inc.